

CITY OF TORRANCE

The seal of the City of Torrance is located in the upper left background. It features a circular design with the words "INDUSTRIAL", "COMMERCIAL", and "RESIDENTIAL" around the perimeter. In the center is a map of the city with the word "TORRANCE" written across it.

Budget

at a glance



2013-2015

Mission Statement

*The Mission of the City of Torrance
is to encourage and respond to community
participation as we provide
for an attractive, clean, safe, secure
and enriching environment that
assures a high quality of life.*

*We evaluate and act on the needs of the
community within a complex,
changing environment.*

*We provide quality service with integrity,
professionalism and accountability
in an efficient and cost-effective manner.*

City of Torrance

FINANCE DEPARTMENT

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www.TorranceCA.Gov

Snapshot of Torrance

Population:	146,860 ¹
Peak Daytime Population:	182,159 ²
Area (in sq. miles):	21
Full Time Employees:	1,319
Sworn Fire Employees:	145
Sworn Police Employees:	226.5
Fire Stations:	6
Police Stations:	1
Police Community Centers:	1
Public Libraries:	6
Parks & Recreation Amenities:	48
Parks Acreage:	279
Miles of Sidewalks:	550
City Trees:	47,000

1 California Department of Finance, May 2013.

2 2006 - 2010 5-year American Community Survey Estimates, U.S. Census Bureau

Budget Summary

- ❖ The two-year operating budget is balanced for the 2013-14 and the 2014-15 fiscal years. Additional budget projections through 2017-18 fiscal year are also balanced.
- ❖ In the past few budget years, City Council made prudent budget reductions which minimized service impacts, preserved core safety services and restructured in many ways the way the City conducts business. The City:
 - is using career professionals in forensics, fire prevention and the management of hazardous materials
 - is using team policing to improve service to the community while reducing overtime costs
 - has consolidated departments with common services
 - has secured millions in grant funds for capital needs such as the Del Amo extension, the Regional Transit Center, and roadway and sidewalk repair
- ❖ The City has reduced the work force by 60 full-time equivalent positions in the last 4 years and employees have forgone cost of living wage increases for 5 years, with the exception of Police and Fire who received salary increases in January 2011 due to previously agreed upon contract provisions. The City Manager recommends targeting discussion of employee compensation with City Council during 2014-15 budget deliberations in May 2014, when the local economy will hopefully show more signs of stability.

General Fund Revenues

- ❖ General Fund revenues project a modest growth of 2.7%, or \$4 million above fiscal year 2011-12
- ❖ 70% of General fund revenues are derived from 3 revenue sources: Sales Tax (\$45.7 million), Property Tax (\$43.4 million) and Utility Users' Tax (\$32.0 million)
 - Sales Tax – represents 27% of General Fund revenue, has grown almost 10% in the last year and is projected to increase 8% in the next year. Torrance is the 4th largest producer of sales tax in the county.
 - Property Taxes – with a strong property tax base of \$24 billion, consisting of a mix of high-end residential

properties and sizable industrial, commercial and retail components, property tax revenues are projected to grow at about 5% annually.

- Utility Users' Tax (UUT) – UUT revenues have not recovered like other General Fund revenues and are expected to have modest growth in the future.

Balancing the 2013-15 Budget

BUSINESS PRACTICES

- ❖ Funding of the Nature Center, Madrona Marsh, and Torrance Art Museum has been transferred from the Parks and Recreation (P&R) Enterprise Fund to the General Fund at a net additional cost to the General Fund of \$130,000.
- ❖ Through litigation with the County of Los Angeles, cities prevailed in proving that the County was overcharging property tax administration fees, resulting in a savings of \$390,000.
- ❖ The League of California Cities was not successful in their lawsuit with the State redirecting VLF fees, which caused a loss of revenue to the City of \$530,000 annually. Initially covered by one-time monies, this loss is now factored into the budget.

OPERATIONS

- ❖ The adopted budget funds 2.0 additional Police officers (1 in Jan. 2014, 1 in Jan. 2015) to mitigate the impact of the State's Criminal Justice Realignment Bill (AB 109) which allows certain offenders convicted of various non-serious, non-violent, non-sex related offenses to essentially be released (reimbursements of \$125,000 for fiscal years 12-13 and 13-14 are expected to partially offset position costs).
- ❖ Funding is also included for the Joint Use Agreement between the City and Torrance Unified School District (\$40,000 - \$50,000), the November 2014 election (\$150,000), and the update of the City's Strategic Plan (\$135,000).

REDEVELOPMENT AGENCY

- ❖ The State dissolved redevelopment agencies (RDA) effective June 27, 2012, leaving the City with outstanding Term Allocation Bonds (TABs) in the Industrial and Downtown project areas (the Skypark project area debt matured in July 2012).
- ❖ City staff believes that loans made to the Industrial project by the City will be approved by the State and eligible for repayment as early as the 2014-15 fiscal year (\$1.1 million annually).
- ❖ The City created a reserve in the mid-1990's in the event the loans would not be repaid by RDA. Use of the current balance of \$4.3 million is being deferred until the loans begin to be repaid, with the exception of \$1.545 million used to defease a 1998 Certificate of Participation (COP) and eliminate annual debt service for the COPs.

TAX REVENUE ANTICIPATION NOTES (TRAN)

- ❖ Tax Revenue Anticipation Notes (TRANs) are one-year notes used to assist the City with its seasonal cash flows. Issuing a TRAN allows the City to prepay PERS at a 3.5% discount, while the cost of the TRAN is 0.5% to 1.0%, generating a savings of \$600,000. This savings will be used to reduce the use of "year-end carryover".

CERTIFICATES OF PARTICIPATION (COPs)

- ❖ The City plans to defease 1998 Certificates of Participation that had an outstanding balance of \$6.045 million, using \$4.5 million in grant reimbursement monies received for land acquired for the new Transit Center and \$1.545 million from the RDA reserve. Defeasance of the 1998 COP will reduce the City's annual debt service by \$540,000.

RESERVES

- Reserve funding for City's "Post Employment Benefits" (OPEB), has been reinstated to fund health benefits for retirees, on an actuarial basis rather than "cash basis" (\$1.375 million).

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

- Since fiscal year 2009-10, new employees have paid 9% (for Safety) and 7% (for Miscellaneous) of pension costs. The City has saved \$370,000 to date and is projected to achieve targeted savings of \$630,000 annually by mid 2014.
- PERS has reduced their return on investment from 7.75% to 7.5%, causing investment earnings on City assets deposited with PERS (over \$800 million) to decrease by \$2 million annually. PERS gave cities the option to phase-in the resulting contribution increases over 2 years, however staff recommended instead to adjust the City's rate immediately.
- The City's pension plans are 73.4% funded for Police, 74.9% for Fire, and 90.3% for Miscellaneous employee groups.
- PERS changed their method of spreading rate impacts over a moving 30 year period to a fixed 20-30 year period. This change will increase safety PERS rates by 2% per year and miscellaneous PERS rates by 1.25% per year for 5 years. All things being equal, this change should result in a 50% drop in the City's PERS rates after 30 years.

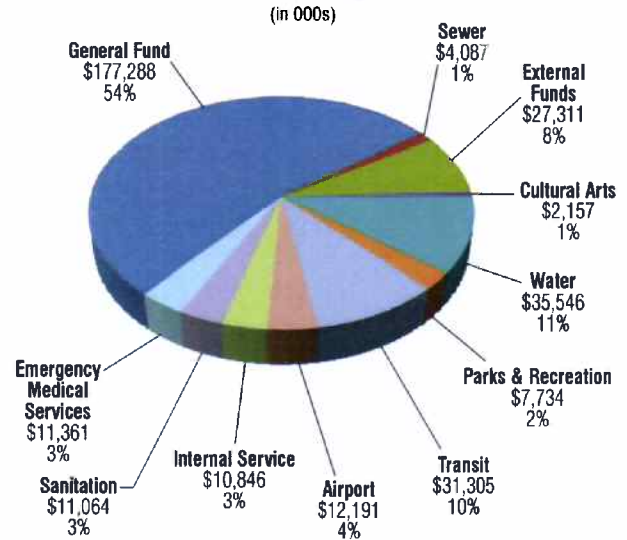
ENERGY PROJECTS

- The City has made a concerted effort to conserve energy through implementation of energy savings capital projects. The City has saved an estimated \$162,000 and has a goal of \$300,000 of energy savings. Energy-saving projects under construction include:
 - Lighting Retrofits and Upgrades (estimated \$80,000 utility savings)
 - HVAC (Heating/Ventilation/Air Conditioning) replacements project (estimated \$13,000 utility savings)
 - Irrigation Control Upgrades project (estimated \$45,000 utility savings)

ADOPTED BUDGET REVISIONS

- City Attorney - Add 1.0 Deputy City Attorney III position, funded by a professional services budget reduction and the operational use of Proposition C funds in the Public Works Department
- City Manager - Provide funding for a Friendly City Program (\$15,000)
- City Manager - Provide one-time supplemental funding for the Tournament of Roses Parade (\$20,000)
- City Treasurer - Add 0.5 Account Clerk position for utility billing, offset by reimbursements from Water, Sewer, and Sanitation Funds
- Community Services - Add 0.5 Sr. Recreation Leader position for maintenance of sports fields at 555 Maple Ave. and \$15,000 for artificial turf maintenance
- Community Services - Add 0.1 Recreation Specialist II, 0.3 Recreation Specialist, and 0.3 Sr. Recreation Leader positions and \$3,500 in materials to provide additional After-School program funding at Jefferson Middle School
- Airport - Implement a Web Trak software system, camera technology, and an early left turn program to the current Airport noise abatement program (\$78,000)
- Transit and Communications and Info. Tech. (CIT) - Add 1.0 Training Coordinator position, 2.0 Sr. Mechanic positions, and 1.0 Systems Analyst (CIT) position; delete 3.0 Mechanic positions, and 1.0 Information Technology Analyst (CIT) position to support the Transit Department's system wide expansion.

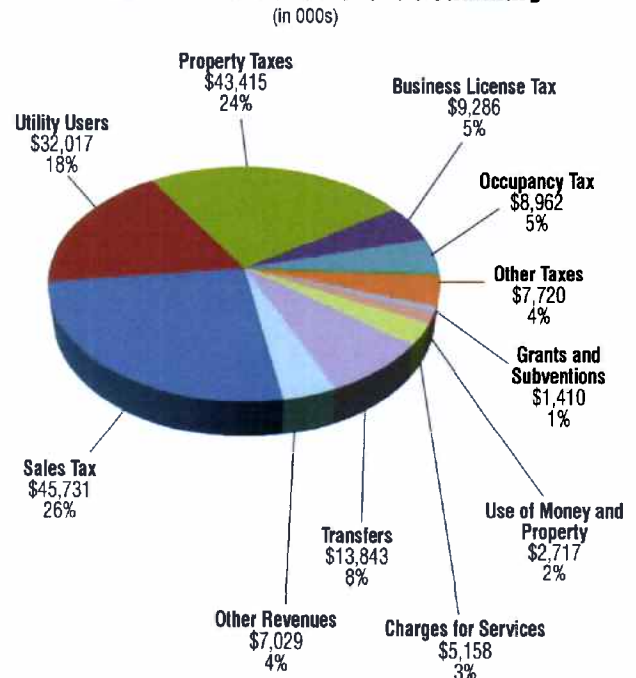
2013-14 Expenditure Budget Summary for All Funds**



** Based on an adopted 2013-14 gross budget of \$330,890,000.



2013-14 General Fund Revenue Summary



2013-15 OPERATING BUDGET SUMMARY

General Fund Revenues:	2013-14	%	2014-15	%
Sales Tax (includes triple flip)	45,731,000	26%	47,793,000	27%
Utility Users' Tax	32,017,000	18%	32,642,000	18%
Property Taxes	43,415,000	24%	45,228,000	25%
Business License Tax	9,286,000	5%	9,610,000	6%
Occupancy Tax	8,962,000	5%	9,321,000	5%
Other Taxes	7,720,000	4%	7,888,000	4%
Grants and Subventions	1,410,000	1%	1,410,000	1%
Use of Money and Property	2,717,000	2%	2,759,000	2%
Charges for Services	5,158,000	3%	5,234,000	3%
Transfers	13,843,000 *	8%	7,939,000	4%
Other Revenues	7,029,000	4%	8,166,000	5%
Total General Fund Revenues	\$177,288,000	100%	\$177,990,000	100%

General Fund Expenditures:

Public Safety **	103,823,000	59%	105,143,000	59%
Public Works	11,590,000	7%	11,846,000	7%
Community Development	7,324,000	4%	7,391,000	4%
Community Services	14,611,000	8%	14,680,000	8%
General Government	23,227,000	13%	23,096,000	13%
Transfers/Non-Departmental ***	16,713,000	9%	15,834,000	9%
Total General Fund Expenditures	\$177,288,000	100%	\$177,990,000	100%

* Includes transfers primarily from Airport Fund and, for 2013-14, a \$6 million transfer to defease a 1998 bond issue.

** Includes operational support funding for the Emergency Medical Services (Paramedic) Fund and Animal Control Fund.

*** Includes operational transfers to Parks and Recreation, Cultural Arts Center, and Self Insurance Funds.

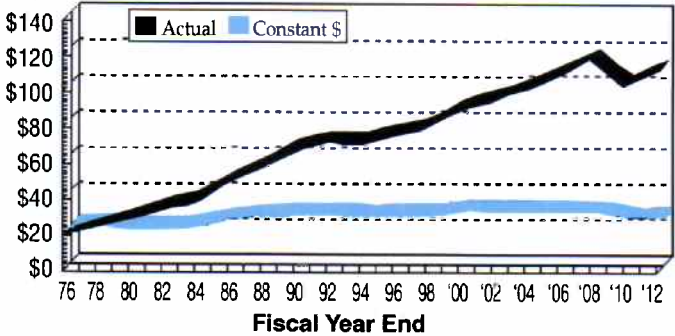
Internal Service Funds:	2013-14 Revenues	2013-14 Expenditures	2014-15 Revenues	2014-15 Expenditures
Fleet Services	\$ 6,519,000	\$ 5,870,000	\$ 6,374,000	\$ 5,901,000
Self Insurance	4,976,000	4,976,000	4,983,000	4,983,000
Total Internal Service Fund	11,495,000	10,846,000	11,357,000	10,884,000
Enterprise Funds:				
Airport	12,191,000	12,191,000	12,667,000	11,984,000
Transit *	31,305,000	31,305,000	30,562,000	30,562,000
Water	37,193,000	35,546,000	37,203,000	35,597,000
Emergency Medical Services Fund	11,361,000	11,361,000	11,504,000	11,504,000
Sanitation	11,065,000	11,065,000	11,065,000	10,958,000
Sewer	4,087,000	4,087,000	4,111,000	4,111,000
Parks & Recreation (fee activities)	7,734,000	7,734,000	7,767,000	7,767,000
Cultural Arts Center	2,157,000	2,157,000	2,173,000	2,173,000
Total Enterprise Funds	117,093,000	115,446,000	117,052,000	114,656,000
Other External Funds:	27,732,000	27,311,000	24,105,000	23,436,000
Less Internal Services/Transfers **	(42,052,000)	(41,403,000)	(42,709,000)	(42,236,000)
TOTAL CITY BUDGET	291,556,000	289,488,000	287,795,000	284,730,000

* Includes depreciation of \$3,789,089 in revenue estimate for 2013-14 and 2014-15.

** To offset transfers between funds such as the General Fund subsidy to Parks and Recreation Fund.

Sales, Utility Users', Secured Property Business License, Motor Vehicle & Occupancy Taxes

Millions



Fiscal Year End

Actual average annual growth rate is 5.0%

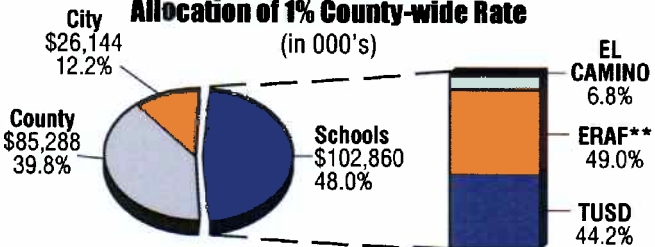
Constant dollars (real growth) average annual growth rate of 0.9%

Note: Constant dollar figure adjusts for inflation using base year = 1976.

Secured Property Tax*

Allocation of 1% County-wide Rate

(in 000's)



* Secured Property Tax - levied on real properties in the City which are secured by liens on the properties.

** Education Revenue Augmentation Fund (ERAF)

Note: Allocation based on 2011-12 actual secured property tax of \$26,143,692.

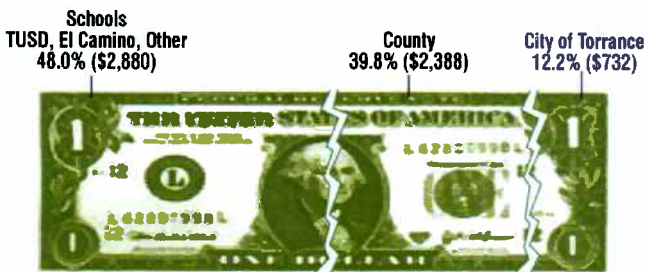
Distribution of Property Tax Assessments

Example:

Assessed Value = \$600,000

County 1% rate = \$ 6,000

Allocated to:



2013-14 General Fund Operating Budget by Function

(in 000s)

